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United Arab Emirates

Poultry and Products

Annual Poultry Meat Report

2006

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Report Highlights:

Total UAE poultry meat production is expected to drop to 30,000 MT in 2006. AI detection in several countries negatively affected consumption of chicken. Imports are also expected to suffer a similar decline. Production in 2007 is expected to reach 40,000 MT. Imports and re-exports are also expected to exceed or return to previous levels.

Includes PSD Changes: Yes
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Executive Summary

Note: "Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psd>".

Highly pathogenic H5N1 Avian Influenza (AI) detections in a number of countries led to significant reduction in consumer demand for poultry and imports during 2006. However, consumption and imports along with domestic production are expected to increase during 2007, as consumer confidence and education have improved. The UAE is expected to continue as a re-exporter of poultry to Iraq. Brazil is the leading supplier of chicken to the UAE given Brazilian poultry's competitive pricing and quality. U.S. chicken leg quarters are competitive in the hotel, restaurant, and institutional (HRI) sector.

Production

UAE poultry production for 2006 is expected to be around 30,000 MT, down 5,000 MT from 2005. Lower production is the result of consumer concerns about AI, particularly the H5N1 strain that has been found in a number of countries around the world, and the subsequent reduction in poultry demand. The poultry sector faces high input costs for raw materials, particularly feed and veterinary supplies, which forced some small producers to close their operations during 2006. On the other hand, a major producer is upgrading and expanding his facilities and is expected to expand production by 50 percent in 2007. Assuming consumer confidence improves, as is expected, production is forecast at 40,000 MT in 2007.

Poultry producers do not use growth hormones in their production. The UAE has outlawed the use of growth hormones in the production of poultry. The sector geared to breeding stock is the most ardent user of newer technologies. However, as production of chicks is not sufficient to meet local demand, the UAE imports day old baby chicks from Arab and European countries.

Poultry feed is produced locally from imported ingredients. Animal protein is not permitted in poultry feed. Due to higher transportation costs, feed and veterinary supply input costs are increasing. Producers receive no government support. Recently, a locally produced low cholesterol egg that was introduced to the market thru feeding layers a special feed rich in Omega 3.

Poultry production is on a 16-week cycle. Generally, six large-sized farms produce about 65 percent of the local poultry production; four medium-sized farms produce nearly 20 percent, while the balance is filled by several small operations. They are all spread across the UAE. Weight gain rates vary between 70-100 gm/day/bird, depending on the breed and the time of the year. Winter represents an ideal production period for farmers. Summer heat causes both production and marketing problems when demand for poultry meat drops as many UAE residents travel abroad fleeing the summer heat. Live chicken is slaughtered at a 1.5 kg weight that dresses out at 1.1 kg. The feed conversion rate varies depending on management and breed. It is reported at as high 1.8 kg and low as 1.5 kg to 1 kg.

Major poultry operations are fully integrated, including on-farm slaughtering facilities. They are operated by highly trained management and regularly upgrade their facilities. They also have their marketing, sales and distribution staff and some even retail directly. Domestically produced poultry is generally marketed fresh/chilled. During the summer months, when sales typically drop, major operations will freeze some production. In an effort to expand market share some producers are producing limited amounts of chilled boneless or bone-in parts. One major operation is producing chicken franks and burgers for the local market.

After the AI scare, the government banned sales of live poultry. Spent hens are either destroyed or recycled in rendering plants.

Domestic and imported poultry is retailed side-by-side in major retail outlets, such as hypermarkets, superstores and supermarkets. Local production tends to be marketed fresh/chilled because of high production costs. Local chicken is retailed at the price of about \$3/kg, while boneless part prices can go up to \$9/kg, depending on the part.

Consumption/Utilization/Stocks

The UAE government played an important role in guiding and assuring consumers of the safety of consuming locally and imported chicken. All chicken is subject to strict supervision and inspection to ensure fitness for human consumption. The Agricultural Trade Office in Dubai, the Animal and Plant Health Inspection Service regional office in Cairo and USA Poultry and Egg Export Council, jointly with UAE health authorities, organized several activities to further educate consumers and regulators about AI and the safety of poultry meat and products.

Among consumers, poultry is perceived as healthy, easy to prepare and relatively affordable. Chicken also conforms easily to the requirements of the UAE's very diverse consumers. Before the detection of H5N1 AI in Asia, consumption of poultry was on the rise due, in part, to the following factors:

- Local population increase
- Local perception that poultry is safe and healthy
- Lower cost relative to other meats and fish
- Expansion of the HRI sector,
- Increase in the foreign population working in the UAE

During the first half of 2006, both poultry producers and importers suffered substantial losses when a sizeable number of consumers reduced their consumption of poultry products. Gradually, the AI scare is fading away and consumption of chicken is slowly coming back to previous levels. Per capita poultry consumption is estimated at about 42 kg/year.

The UAE does not have a market for paws. They are usually rendered, dried and used as manure.

Little real competition exists between domestic and imported poultry because of the price difference. Imported whole chicken retails at about half the cost of domestic chicken that markets at about US \$3/kg. Households with high disposable income, particularly Arabs, tend to consume domestically produced poultry in fresh/chilled form as it is perceived to be in full compliance with Halal slaughtering. To a lesser extent, local production is consumed at some institutions, such as universities, hospitals and the military, particularly in Abu Dhabi area.

Imported chicken, whole and parts, is less expensive than domestic chicken. Brazilian chicken is popular among the foreign community because of its perceived quality, competitive pricing, and low water content. U.S. leg quarters are a good product for the local HRI sector because of quality and low prices. However, the relatively large size of U.S. leg quarters can cause problems for end users such as cafeterias and catering companies accustomed to working with smaller pieces. Leg quarters, usually imported in 20 lb. packs, are well suited for the HRI sector. However, segments of the HRI sector prefer leg quarters and other poultry products that are packaged on trays for easier storage and handling. The

HRI sector has shown increasing interest in leg quarters, shifting away from the previous practice of purchasing whole chickens.

Boneless chicken is dominated by Brazil, which took over the market after imports from both China and Thailand were banned over AI concerns. Boneless chicken is consumed mainly in Arabic and Lebanese-style restaurants and cafeterias, while boneless breasts are marketed in retail outlets in 1 and 2 kg packs. Consumption of whole turkey is seasonal, mainly by Westerners and the HRI sector during the November/December holiday season, while duck is consumed primarily in Chinese restaurants and in some Arabic restaurants.

Importers prefer to maintain limited stocks to take advantage of changing international prices. This practice reduces their exposure to fluctuating prices, reduces the cost of cold storage and enables them to market a fresher product. As for local production, producers prefer to dispose of stocks on a daily basis.

Following are indicative retail prices (US\$/kg) for imported and locally produced chicken:

Frozen Chicken

Chicken (whole)	S.Arabia	2.45
""	Brazil	2.04
Chicken Breast	Brazil	4.08
Chicken drumsticks	Brazil	3.50-3.58
Half Breast (boneless)	Brazil	4.28
Breast (boneless)	Saudi Arabia	3.59
Drumsticks	Saudi Arabia	2.85
Chicken whole leg	Saudi Arabia	2.84
Thighs	Saudi Arabia	2.84
Quails	Saudi Arabia	5.57

Fresh Chicken

Chicken whole	U.A.E.	2.85-3.53
Chicken Breasts	U.A.E.	6.53-9.52

Trade/Marketing

Both importers and local chicken growers enjoyed good marketing conditions for their products during the course of 2005 when UAE poultry imports grew to a record level of 171,000 MT valued at \$226 million. This however changed with the beginning of 2006 when H5N1 AI started to spread around the world causing consumption to decline in the UAE. Imports were also affected when Iraq, an important re-export market, prohibited imports for several months during 2006.

Enter trade text here

Security conditions and competition from Kuwait, currently the major supplier to the Iraqi market, all affect the volume of re-exports from the UAE. Both imports and exports are expected to increase in 2007 as consumer demand improves and Iraq continues purchasing from re-export suppliers like the UAE and Kuwait. Brazil has become the largest poultry supplier to the UAE. Avian Influenza and economic factors, such as freight cost, currency rates vis-à-vis the US Dollar and smaller export restitution amounts offered by the EU, have helped spur the shift from traditional suppliers in Europe to the Western Hemisphere.

On a CIF basis, French and Brazilian whole chicken prices are currently quoted at \$1,300-\$1,350/MT. Danish chicken is currently available at \$ 1,100-1,150 MT. U.S. chicken leg quarter prices jumped from about \$800/MT in January 2006 to \$850-\$1,200 recently. In 2005, poultry parts accounted for about 30 percent of total poultry imports. U.S. market share dropped to about 7 percent.

Labeling requirements for poultry products remain unchanged, as follows:

- a) Date of production and expiry;
- b) Product and Brand name;
- c) Net weight;
- d) Country of origin; and
- e) The producer's name and address.

(Note: UAE shelf life regulations require the product to arrive within 4 months of date of production. The shelf life for frozen poultry is one year.)

Poultry must be slaughtered according to Islamic requirements. A Halal slaughter certificate issued by an approved U.S. Islamic Center must accompany the shipment.

Health and sanitary regulations are strictly enforced, regardless of country of origin, to ensure human and animal health safety. Periodically local health officials will travel to supplier countries to inspect production and processing facilities. If the supplier country's processing facility is found unsanitary, products from that facility will be immediately suspended. Established brands are checked randomly at port of entry for Salmonella or other pathogenic contamination. If a tested sample exceeds permissible levels of the detected bacterium, a second sample, taken at the time of the first one, is tested. If that sample, too, shows a level of bacterium in excess of the permissible level, the shipment will be rejected. Locally produced poultry is subject to the same monitoring regime as that for imported products by public health officials.

The most popular advertising tool is the print media followed by television. Year-round advertising campaigns are the norm for this market. In-store promotions are common, particularly for new-to-market products. Suppliers and local producers are looking constantly to identify new markets and opportunities to expand sales. Suppliers usually support local agents with promotional resources.

Distribution channels for imported and domestically produced poultry are very similar; importer → to wholesaler → to distributor → to retailer. Large domestic producers distribute product directly to retailers.

Both importers and domestic producers of poultry are well equipped with excellent cold storage warehouse facilities and refrigerated trucks for distribution. Both sectors are staffed with well-trained sales representatives. Major retailers are constructing state-of-the-art super- and hypermarkets and are focusing on customer service to ensure that their products are ideally presented and marketed to consumers.

The UAE, a major oil producer, enjoys one of the regions' highest per capita income levels. Current high world oil prices favor the UAE economy. The UAE currency, the Dirham, is fixed to the U.S. dollar, exchanging at the rate of 3.673 Dirham to 1.00 U.S. Dollar.